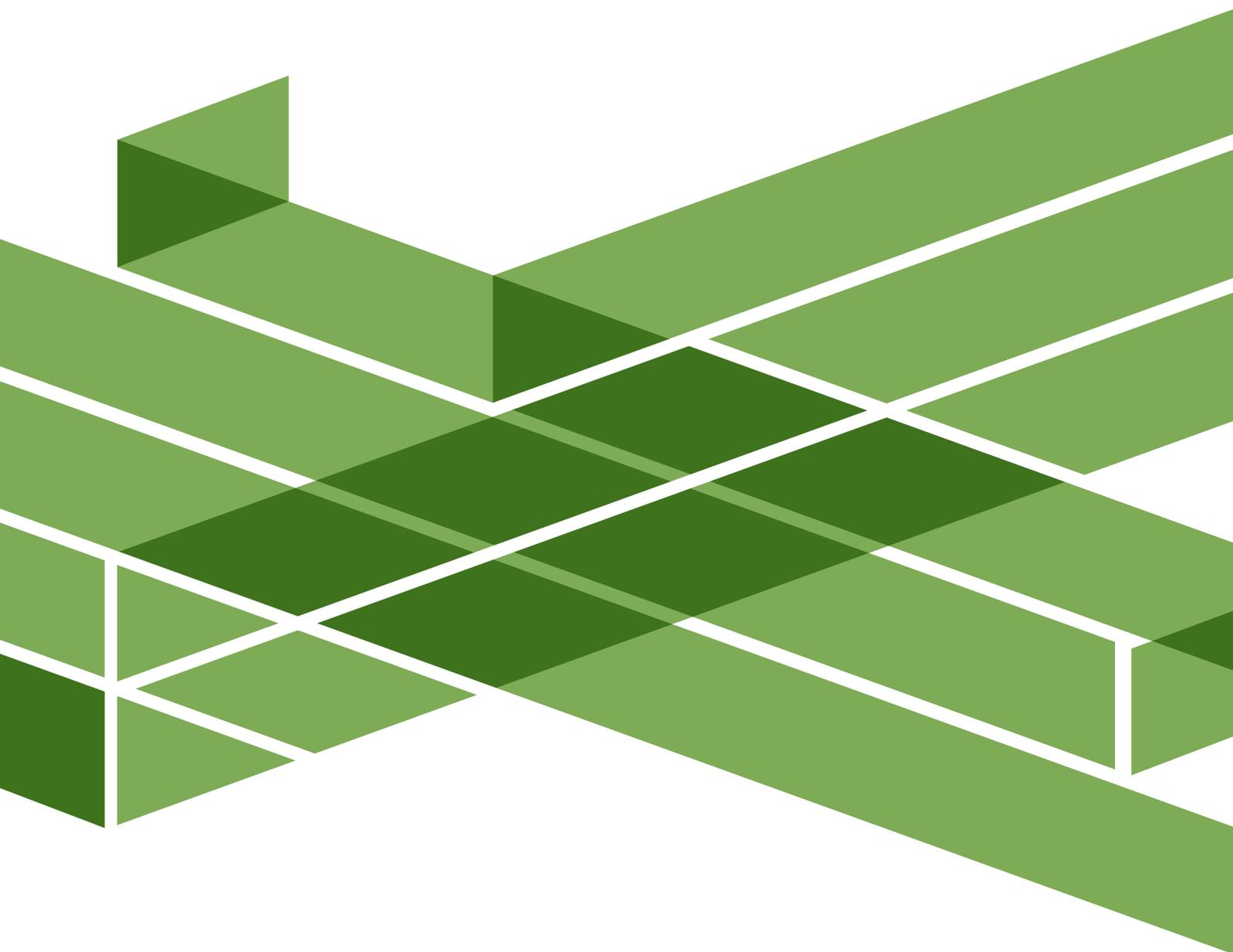


Local Government Board Review

FINAL REPORT: REVIEW OF VOLUNTARY
AMALGAMATION AND SHARED
SERVICES OPTIONS
EXECUTIVE SUMMARY



SORELL AND
TASMAN COUNCILS
Voluntary Amalgamation
and Shared Services Options

EXECUTIVE SUMMARY

Following the South East Feasibility Study (the Feasibility Study) which contained modelling for amalgamation and further shared services options involving four South East Councils, the Sorell and Tasman Councils conducted consultation with their residents to determine the support for amalgamation and shared services.

The result of these consultations led both Councils to write to the Minister for Local Government, the Hon Peter Gutwein MP, to participate in a Local Government Board review. The Minister authorised the Local Government Board to undertake a review into potential voluntary amalgamation and shared services options for Sorell and Tasman Councils (the Review). The Review formally commenced in December 2017.

The Review examined three options for the two Councils:

Option 1: Stand-Alone Councils
(no change from present arrangements)



Option 2: Further Shared Services
(an enhancement of present arrangements)



Option 3: Voluntary Amalgamation



The Board conducted its Review to determine the long-term sustainability of the Councils under the three options. Both existing Councils are currently viable in terms of whether they can currently meet financial obligations arising from the services they deliver. However, this is not the same as understanding whether the Councils will be able to meet expectations over the long-term without significant increases in rates and charges and/or reductions in services, and that the burden is spread evenly between current and future ratepayers.

The Board found that both Councils have challenges and opportunities arising from the characteristics of their municipal areas. Of particular note, Tasman's demographic profile, including low population growth and ageing, is already apparent in terms of the challenges this poses to Council. Sorell, on the other hand, has a fast growing, and relatively younger population, though this creates other challenges for it (such as meeting new infrastructure demands).

In this context, the Board conducted an examination of the present state and arrangements of the Councils and the potential for, and outcomes from, enhanced Shared Services or Voluntary Amalgamation. The Board made the following findings:





FINDINGS

Chapter 2: Local Government Reform Context: Amalgamations and Shared Services

F1 - Various reviews and academic studies indicate that both shared services arrangements and amalgamations have their pros and cons.

F2 - There are some insights from these studies into the success factors for both models, in particular:

- community input and support is critical for amalgamations; and
- enduring political support is critical for shared services.

Chapter 3: Key Features of the Sorell and Tasman Municipal Areas

F3 - There are distinct demographic differences between Sorell and Tasman, with Sorell being a fast-growing and younger population compared with Tasman which has low population growth and a relatively older population.

F4 - Despite this, there are complementary economic and social interests, particularly with the opportunities and challenges that tourism provides for the region as a whole. Because of this, while there are distinct communities within both municipal areas, there is a natural community of interest across the whole region.

Chapter 4: Key Features of the Sorell and Tasman Councils

F5 - Independent financial analysis conducted for the Board of selected measures over the past three years, showed that both Sorell and Tasman Councils are not at imminent risk of being financially unviable, based on historical financial information.

F6 - The Councils are extensively utilising shared service arrangements to deliver financial efficiencies, with Tasman Council having a higher level of reliance on these arrangements. The shared General Manager position between the Councils is critical to the success of these arrangements.

F7 - The number of elected members per Council is around the average for similar sized councils, however, the number of staff in both Councils is below average, more so in Tasman which has just over half the average FTE staff.

Chapter 5: Stand-Alone Councils (Option 1 – No Change)

F8 - The independent analysis conducted for the Board shows that there is no imminent risk of the Councils being financially unviable. When standardised assumptions and realistic variations are applied to the Sorell and Tasman Councils' Long-term Financial Management Plans, their long-term sustainability is not as evident.

F9 - If the Councils remain stand-alone, they will struggle to continue to provide the services that they do now and there will be little prospect for enhanced services to meet the demand from population and tourism-driven growth.

F10 - There is little potential to withstand unexpected events or respond to resident demands for additional services without some additional rate increases beyond the assumed levels.

F11 - The Board's analysis indicates approximately an additional \$5 million for Sorell Council and \$2 million for Tasman Council in rates revenue over the 20-year period would be required to remain sustainable.

F12 - Tasman Council is viable in the short-term, largely as a result of the favourable shared services arrangements that it benefits from with Sorell Council.



Chapter 5: Stand-Alone Councils (Option 1 – No Change) cont.

F13 – The shared services arrangement is highly vulnerable to change, due to risks built into the arrangement such as key person dependencies and continued political support. There is likely to be increased demand as a result of population growth in the Sorell Municipal Area, which will place pressure on Sorell Council to direct all of its resources to this area rather than share with Tasman Council.

F14 - The Board's analysis indicates that if shared services were to be unwound, approximately an additional \$3,500 per rateable property in Tasman over the next 20 years would be required to maintain a sustainable council. This may well be beyond the capacity or will of Tasman ratepayers.

F15 - Local representation under the stand-alone option would not change, however improvements could be made through the introduction of community boards, to address current perceived disadvantaged communities.

F16 - There is little scope for increased capacity, which will challenge the ability of both Councils to satisfactorily meet regulatory obligations and service demands. Similarly, the ability for both Councils to leverage economic opportunities and challenges will be constrained.

Chapter 6: Further Shared Services Options (Option 2)

F17 - There are limited viable options available to Sorell and Tasman Councils for further shared services in new service areas.

F18 - It is likely that any future extended shared services, even if achievable, would create marginal efficiencies at best.

F19 - There could be better arrangements in place for the existing shared services if the Councils continue to stand alone.

F20 - As with Option 1, shared services are highly vulnerable given that they require enduring political and senior management support over the long-term.

F21 - The current shared services arrangements are characterised by key person dependencies, especially in regard to the shared General Manager role, which is dependent upon the particular personal attributes of the current General Manager and it may be hard to replace these with a similar person prepared to undertake the joint position.

Chapter 7: Voluntary Amalgamation Option (Option 3)

F22 - Even with an assumption of only very minor savings from amalgamation of \$250,000 per annum the combined entity is sustainable over the next two decades.

F23 - The independent financial analysis demonstrated that the amalgamated council would generate operating surpluses every year over the 20-year period.

F24 - The Board's analysis projects that an amalgamated council would provide a benefit in the form of a reduction in the rating burden on Sorell and Tasman ratepayers of \$11.3 million over 20 years compared to the stand-alone Councils. This would be a rate benefit, over the next 20 years, of \$920 per rateable property or \$660 per resident across the combined municipality.

F25 - An amalgamated council is likely to demonstrate improved sustainability and resilience in the face of potential financial 'shocks' but will still face some challenges.

F26 - An amalgamated council would be unworkable if there was a significant reduction in the existing aggregate staff levels.

F27 - A works depot and service site would continue to be justified at Tasman and has been factored into the financial modelling.



Chapter 7: Voluntary Amalgamation Option (Option 3) cont.

F28 - A new council should have the opportunity to achieve small efficiencies in internal transactional services which would free up resources to be reallocated to customer services. This, together with the removal of duplication between the two Councils, such as reporting requirements, would provide capacity for new and improved services, as well as the ability to meet regulatory obligations. This would be particularly beneficial to Tasman residents and ratepayers.

F29 - The introduction of electoral districts, complemented by community boards, would maintain local representation, albeit in a different form.

F30 - An amalgamated council would allow for a greater strategic regional approach to planning and service delivery and provide outcomes that are likely to be greater than two stand-alone councils, whose understandable interests would be to compete with each other for economic development opportunities.

F31 - The existing Councils have very different rating systems that would need to be integrated over time in an amalgamated council. It is debatable whether the current rating systems are equitable amongst categories of ratepayers.

F32 - Independent analysis, undertaken on behalf of the Board, indicates that a rating alignment over time is possible that would smooth the rating impacts on individual ratepayers, without cross-subsidisation across the existing municipal areas.



RECOMMENDATIONS

As a consequence of the findings above, the Board makes the following recommendations:

R1 - The Sorell and Tasman Councils be voluntarily amalgamated into a new council which incorporates the existing municipal boundaries (Option 3).

R2 - The transitional process as outlined in the supporting recommendations for Option 3 in Chapter 9 be implemented, including that:

- The total number of persons to be elected as councillors of the new amalgamated council be nine.
- That up to three electoral districts be created as a transitional measure for the new amalgamated municipal area, for up to two local government terms.
- Electoral districts be based around, either, the areas of:
 - Tasman Municipality (and adjacent areas of Sorell); Rural Sorell and Southern Beaches; and Sorell and Midway Point; or
 - If only two electoral districts are preferred, these should reflect the former Sorell and Tasman municipal areas.
- An Interim Council be appointed for a period of up to 12 months and comprise either:
 - Three 'Commissioners'; with one an independent Chairperson; and with a member drawn from each of the affected municipal areas of Tasman and Sorell. (*Option A*); or
 - Five members; with an independent Chairperson; the two Mayors of the existing Councils; and a councillor nominated by each of the existing Councils. (*Option B*).
- Current Councillors be appointed to act in the role of 'Interim Community Board' for the transition period until the election no later than October 2019, to conduct community consultation on the establishment of community boards in the new Council area post-transition.
- The General Manager continues on in the role as the General Manager until the expiry of his contract, at which time the new council could appoint its preferred General Manager.
- An amalgamated council be given the interim name of the 'Sorell-Tasman Council'.

R3 - The Tasmanian Government considers providing transitional assistance to support the Interim Council and staff to bring the operations of the existing Councils together.
